

A BASIC GUIDE TO
EXPORTING



10TH EDITION

U.S. Department of Commerce, International Trade Administration
Washington, D.C.

LIBRARY OF CONGRESS CATALOGING-IN-PUBLICATION DATA
A basic guide to exporting.—10th ed.
p. cm.
Includes index.
ISBN 978-0-16-079204-5 (alk. paper)
1. Export marketing—United States. 2. Export—United States. I. United States. International Trade Administration.
HF1416.5 .B37 2008
658.8' 40973—dc22

2007049345

Certain materials included in this book are reprinted with the kind permission of their copyright holders. A full list of permissions appears on page 254.

Published 2008 by the U.S. Department of Commerce, International Trade Administration.



Federal Recycling Program
Printed on recycled paper.

This book is intended to provide general guidance for businesses and practitioners in better understanding the basic concepts of international trade. It is distributed with the understanding that the authors, editors, and publisher are not engaged in rendering legal, accounting, or other professional services. Where legal or other expert assistance is required, the services of a competent professional should be sought. This book contains information on exporting that was current as of the date of publication. While every effort has been made to make it as complete and accurate as possible, readers should be aware that all information that is contained herein is subject to change without notice.

A MESSAGE FROM THE SECRETARY OF COMMERCE

Today, more than 70 percent of the world’s purchasing power is outside the borders of the United States, a reality that presents tremendous opportunities for U.S. businesses. In the last 20 years U.S. exports have increased to almost \$2 trillion. Expanding use of the Internet, more transportation options, and the successful implementation of free trade agreements have dramatically increased access to markets around the world—making it easier, less costly, and less risky for U.S. firms to do business internationally.

Each year, U.S. companies rely on exporting to diversify their customer base, manage market fluctuations, grow, and become more competitive. It is not just larger firms that are experience these benefits. In fact, of the quarter million U.S. firms selling internationally, 97 percent are small and medium-sized companies.

Along with potential opportunities, selling abroad presents unique challenges, whether it is to obtain financing, find potential distributors or agents, understand regulatory or documentation requirements, or navigate through customs. Exporting requires commitment, but the return on your investment can be substantial.

Whether you look to make your first export sale or expand into new markets, this new edition of *A Basic Guide to Exporting* provides expert advice and practical solutions for reaching new customers and making sales around the world.

Best of luck in your export endeavors.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Carlos M. Gutierrez'.

Carlos M. Gutierrez
Secretary of Commerce
Washington, D.C.

ACKNOWLEDGMENTS

Publishing a book is a journey that requires endurance, persistence, and, above all, dedication. Many people contributed to this one, and prime among them was Doug Barry of the U.S. Commercial Service, who guided its updating and production. He brought together the knowledge and skills of many individuals in the world of international trade and lent a fresh voice to this venerable text. It is due to his efforts that this book appears again, 70 years after the publication of its first edition in 1938.

Colleagues at the International Trade Administration (ITA) who contributed to this new edition include Jennifer Kirsch, who looked after all the details and kept the project moving forward. There would be no book without her skill.

John Ward, the publications director in the ITA's Office of Public Affairs, has encyclopedic knowledge of how books come together and much of what he knows is applied in the pages that follow. A book should be a pleasure to pick up. Because of John, this one is.

The work of updating this new edition began several years ago at the U.S. Export Assistance Center in Atlanta, Georgia. Tom Strauss heard from clients that a new book was needed, and he started compiling information with the help of an international trade specialist, Bob Abrahams. Others throughout the International Trade Administration made considerable subsequent contributions. Trade specialists Keith Hwang and Bob Deane read the manuscript and provided useful comments and clarifications. Curt Cultice, senior media specialist at the U.S. Commercial Service, assisted in writing of some of the case studies. Michele Robinson of the ITA's Office of Public Affairs and Philip Kolb of the U.S. Commercial Service provided production assistance. Interns Robert Herren and Courtney Trumpler also assisted production by researching the book's photos and publishing history.

On the production side, many thanks are due to Linda Stringer of Publications Professionals LLC for her careful editing of the text, to Kia Penso and Ashley Young for additional editorial assistance, and to the book's design team, led by Amanda Drake of the Creative Services division of the U.S. Government Printing Office and Anne Masters of Anne Masters Design Inc.

Contents

CHAPTER 1 Introduction: The World Is Open for Business	3
Case Study: Domes International	10
CHAPTER 2 Developing an Export Strategy	13
Determining Your Products' Export Potential	13
Assessing Your Company's Export Readiness	13
Developing an Export Plan	17
Case Study: Myktyn Enterprises Inc.	20
CHAPTER 3 Developing a Marketing Plan	23
Market Research	24
Methods of Market Research	25
A Step-by-Step Approach to Market Research	26
Sources of Market Research	28
Case Study: Vellus Products	38
CHAPTER 4 Export Advice	41
Making the Government Work for You	41
U.S. Commercial Service Export Assistance Centers	41
U.S. Commercial Service Overseas Posts	42
Trade Information Center, U.S. Commercial Service	43
U.S. Trade and Development Agency	43
Export-Import Bank of the United States	43
Advocacy Center, U.S. Commercial Service	43
Trade Compliance Center, U.S. Department of Commerce	44
Bureau of Industry and Security, U.S. Department of Commerce	44
Minority Business Development Agency, U.S. Department of Commerce	45
Where Else to Look for Assistance	46
Case Study: Solatube	52

CHAPTER 5 Methods and Channels. 55

Approaches to Exporting 55

Distribution Considerations 57

Indirect Exporting. 57

Direct Exporting. 59

Getting Organized for Exporting 60

Case Study: LightStream Technologies 70

CHAPTER 6 Finding Qualified Buyers. 73

U.S. Department of Commerce Worldwide Buyer Finding Programs 73

Department of Commerce Trade Event Programs 76

U.S. Department of Agriculture, Foreign Agricultural Service. 79

U.S. Agency for International Development 79

U.S. Trade and Development Agency. 80

State and Local Government Assistance. 80

Promotion in Publications and Other Media 81

Case Study: SCIFIT Systems Inc.. 82

CHAPTER 7 Using Technology Licensing and Joint Ventures. 85

Technology Licensing. 85

Joint Ventures. 88

Case Study: Spancrete Machinery Corporation 90

CHAPTER 8 Preparing Your Product for Export 93

Questions to Consider 94

Product Adaptation 94

Engineering and Redesign 95

Branding, Labeling, and Packaging. 96

Installation 96

Warranties. 97

Case Study: Falcon Waterfree Technologies 98

CHAPTER 9 Exporting Services. 101

Service Exports with High Growth Potential 102

Aspects of Service Exports 103

Marketing Services Abroad. 104

Obtaining Government Support for Service Exports 105

Case Study: Two Men and a Truck 106

CHAPTER 10 International Legal Considerations 109

Export Regulations 109

Import Regulations of Foreign Governments 111

North American Free Trade Agreement. 112

U.S. Foreign-Trade Zones. 112

Export Processing Zones 113

Customs-Bonded Warehouses 113

Intellectual Property Considerations 114

Case Study: Tierra Dynamic 120

CHAPTER 11 Going Online: E-Exporting Tools for Small Businesses. 123

Use of Electronic Commerce for International Business and Trade 123

Market Development on the Web. 125

Tools to Assess Your Firm’s Readiness to Go Online. 125

Steps to Going Online 127

Executing Orders and Providing After-Sales Service 129

Other Important Sales Considerations 131

Case Study: Evertex Computer Corp. 134

CHAPTER 12 Shipping Your Product 137

Freight Forwarders 137

Packing 138

Labeling 139

Documentation 140

Shipping. 143

Insurance 143

Tariffs	144
Major Shippers	144
Case Study: Certified Worldwide LLC	160
CHAPTER 13 Pricing, Quotations, and Terms	163
Pricing Considerations	163
Quotations and Pro Forma Invoices	167
Terms of Sale	168
Case Study: Home Instead Senior Care	174
CHAPTER 14 Methods of Payment	177
Prudent Credit Practices	177
Cash in Advance	178
Documentary Letters of Credit and Documentary Collections or Drafts	179
Open Account	182
Consignment Sales	183
Foreign Currency	183
Payment Problems	184
Case Study: LuLu’s Dessert.	190
CHAPTER 15 Financing Export Transactions.	193
Extending Credit to Foreign Buyers	194
Working with Commercial Banks.	195
Using Discounting and Banker’s Acceptances	196
Using Export Intermediaries	197
Using Government Assistance Programs	197
Obtaining Funding from Multilateral Development Banks	202
Exploring State and Local Export Finance Programs	203
Case Study: JQ American	204
CHAPTER 16 Business Travel Abroad	207
Obtaining Proper Documentation	207
Planning an Itinerary	209

Obtaining Assistance from U.S. Embassies and Consulates	210
Considering Cultural Factors	211
Case Study: Candy Bouquet International.	214
CHAPTER 17 Selling Overseas and After-Sales Service	217
Responding to Inquiries	217
Learning about Potential Clients	218
Conducting Business Internationally.	219
Building a Working Relationship	219
Providing After-Sales Service.	219
Case Study: Telewave Inc.	224
Appendix A: Glossary.	227
Appendix B: U.S. Export Assistance Centers.	239
Index	245
Sample Forms	
12.1 Air Waybill	145
12.2 Straight Bill of Lading.	146
12.3 Liner Bill of Lading	148
12.4 Commercial Invoice.	149
12.5 Certificate of Origin	151
12.6 Shipper’s Export Declaration	153
12.7 Shipper’s Letter of Instructions.	154
12.8 Export Packing List	158
12.9 Insurance Certificate	159
13.1 Pro Forma Invoice.	171
13.2 Export Quotation Worksheet	172
14.1 Draft Transmittal Letter	186
14.2 Confirmed Irrevocable Letter of Credit	188

A BASIC GUIDE TO
EXPORTING